

NEMAHA VALLEY UNIFIED SCHOOL DISTRICT NO. 442

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended June 30, 2011

And

INDEPENDENT AUDITORS' REPORTS

Long CPA, PA
A Professional Association
Certified Public Accountants

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Long CPA, PA

James M. Long, CPA
Shareholder

901 Kentucky, Suite 104
Lawrence, KS 66044
jlongcpa@sunflower.com

785-312-9091
Fax 785-312-9249
785-766-7556

Board of Education
Nemaha Valley USD 442
Seneca, KS 66538

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the financial statements of the individual funds of Nemaha Valley USD 442, Seneca, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit Guide and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

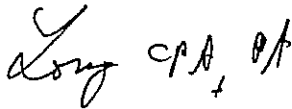
As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, except for the item described in the preceding paragraph, the financial statements, referred to above, present fairly, in all material respects, the cash and unencumbered cash of Nemaha Valley USD 442, as of June 30, 2011 and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Board of Education
Nemaha Valley USD 442
Seneca, KS 66538

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements Nemaha Valley USD 442, Seneca, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, subject to the above qualifications, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated September 12, 2011, on our consideration of Nemaha Valley USD 442 internal control structure and on its compliance with laws and regulations and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Long CPA, PA".

Long CPA, PA
Certified Public Accountant

September 12, 2011

USD #442 SENECA, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General	\$ (253,576)	\$ 0	\$ 3,520,095	\$ 3,471,637	\$ (205,118)	\$ 17,649	\$ (187,460)
Supplemental General	(30,572)	0	937,319	870,000	36,747	255,083	291,830
Special Revenue Funds							
Vocational Education	305,341	617	436,591	255,606	486,943	2,183	489,126
Special Education	242,910	0	613,251	450,609	405,552		405,552
Driver Education	37,531	0	12,459	5,150	44,840		44,840
Food Service	66,120	374	203,099	202,779	66,814	1,148	67,962
Capital Outlay	3,191,393	0	251,577	510,431	2,932,539	160,605	3,093,144
Gifts & Grants	7,004	0	7,548	10,004	4,548	561	5,109
Extraordinary School Program	22,418	0	0	21,298	1,120		1,120
Professional Development	44,056	327	43,396	18,395	69,384	5,950	75,334
Summer School	48,795	570	0	0	49,365		49,365
Special Education Cooperative	570,958	0	1,883,873	1,805,070	649,761	4,060	653,821
KPERS Special Contribution	0	0	233,415	233,415	0		0
At Risk (K-12)	204,181	0	145,000	143,834	205,347	843	206,190
At Risk (4-YR)	55,467	0	70,000	36,046	89,421	509	89,930
Bond & Interest	209,045	0	436,817	340,826	305,036		305,036
District Activity Funds	36,972	0	94,235	96,572	34,635		34,635
Contingency Reserve Fund	372,592	0	0	0	372,592		372,592
Textbook Rental Fund	140,982	0	45,984	17,234	169,732	6,230	175,962
Title I	0	0	75,344	75,344	0	695	695
Title VI - B	0	0	18,718	18,727	0	25,121	25,121
Title IIA - Teacher Quality	0	9	0	0	0		0
Title IID - Ed Tech	0	0	139	139	0		0
Title IV - Drug Free	0	0	0	0	0		0
Other Grants	698	166	26,686	25,847	1,703	22,191	23,894
Perkins Secondary Program	101	0	39,350	39,451	0		0
PEP Grant	0	0	0	0	0		0
Capital Project	1,088,276	0	6,137	63,146	1,031,267	10,340	1,041,607
Total Reporting Entity	\$ 6,360,692	\$ 2,063	\$ 9,159,139	\$ 8,769,666	\$ 6,752,228	\$ 513,168	\$ 7,265,396
Composition of Cash							
Checking Accounts							\$ (541,758)
Petty Cash							1,300
Savings Accounts							5,455,044
Certificates of Deposit							2,411,160
Total Cash							7,325,746
Agency Funds per Statement 4							60,350
Total Reporting Entity							\$ 7,265,396

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2011

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
Governmental Type Funds						
General Funds						
General	\$ 3,395,666	\$ (18,501)	\$ 57,470	\$ 3,471,637	\$ 3,471,637	\$ 0
Supplemental General	870,000	0	0	870,000	870,000	0
Special Revenue Funds						
Vocational Education	289,219	0	0	289,219	255,606	33,613
Special Education	541,173	0	0	541,173	450,609	90,564
Driver Training	17,655	0	0	17,655	5,150	12,505
Food Service	228,373	0	0	228,373	202,779	25,594
Capital Outlay	1,142,900	0	0	1,142,900	510,431	632,469
Gifts and Grants	78,575	0	0	78,575	10,004	68,571
Extraordinary School Program	22,418	0	0	22,418	21,298	1,120
Professional Development	18,395	0	0	18,395	18,395	0
Summer School	48,795	0	0	48,795	0	48,795
Special Education Cooperative	1,989,712	0	0	1,989,712	1,805,070	184,642
KPERS Special Contribution	346,964	0	0	346,964	233,415	113,549
At-Risk (K-12)	181,592	0	0	181,592	143,834	37,758
At-Risk (4 YR)	75,049	0	0	75,049	36,046	39,003
Bond and Interest	340,827	0	0	340,827	340,826	1

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2010

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 800,757	\$ 759,423	\$ 41,334
Delinquent tax	1,579	11,975	(10,396)
Motor vehicle tax			0
RV tax			0
Mineral production tax	198		198
Federal grants	161,604	58,744	102,860
State aid/grants	2,498,487	2,602,525	(104,038)
Charges for services			0
Interest income			0
Miscellaneous revenues	57,470		57,470
Operating transfers			0
Total Cash Receipts	<u>3,520,095</u>	<u>3,432,667</u>	<u>87,428</u>
EXPENDITURES			
Instruction	1,566,146	1,639,930	73,784
Student support services	0	9,850	9,850
Instruction support staff	56,106	50,784	(5,322)
General administration	157,089	165,393	8,304
School administration	279,293	288,324	9,031
Operations and maintenance	262,995	338,072	75,077
Student transportation services	76,397	62,830	(13,567)
Central support services			0
Other support services	45,815	46,738	923
Food service operations			0
Student activities			0
Facility acquisition and construction services		0	0
Debt service			0
Operating transfers	1,027,796	830,747	(197,049)
Adjustment to comply with legal max		(18,501)	(18,501)
Adjustment for qualifying budget credits		57,470	57,470
Total Expenditures	<u>3,471,637</u>	<u>\$ 3,471,637</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	48,458		
Unencumbered Cash, Beginning	(253,576)		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>(205,118) *</u>		

* See Note 12 (Cash Basis Exception)

See Note 13 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
SUPPLEMENTAL GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 666,896	\$ 680,491	\$ (13,595)
Delinquent tax	1,213	8,506	(7,293)
Motor vehicle tax	50,313	51,024	(711)
RV tax	757	671	86
Mineral production tax			0
Federal grants	0		0
State aid/grants	218,140	194,417	23,723
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
Total Cash Receipts	<u>937,319</u>	<u>935,109</u>	<u>2,210</u>
EXPENDITURES			
Instruction	135,403	253,326	117,923
Student support services	19,380	19,580	200
Instruction support staff	13,061	41,565	28,504
General administration	13,879	22,975	9,096
School administration	1,334	10,300	8,966
Operations and maintenance	86,143	235,780	149,637
Student transportation services	139,381	191,474	52,093
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	0		0
Debt service			0
Operating transfers	461,419	95,000	(366,419)
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>870,000</u>	<u>\$ 870,000</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	67,319		
Unencumbered Cash, Beginning	(30,572)		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>36,747</u> *		

* See Note 12 (Cash Basis Exception)

See Note 13 (Statutory Presentation)

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 VOCATIONAL EDUCATION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>436,591</u>	<u>345,000</u>	<u>91,591</u>
Total Cash Receipts	<u>436,591</u>	<u>345,000</u>	<u>91,591</u>
EXPENDITURES			
Instruction	237,175	267,947	30,772
Student support services	5,382	5,385	3
Instruction support staff			0
General administration			0
School administration	13,049	15,887	2,838
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>255,606</u>	<u>\$ 289,219</u>	<u>\$ 33,613</u>
Receipts Over (Under) Expenditures	180,985		
Unencumbered Cash, Beginning	305,341		
Prior Year Cancelled Encumbrances	<u>617</u>		
Unencumbered Cash, Ending	\$ <u>486,943</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
SPECIAL EDUCATION FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	2,046	20,300	(18,254)
Operating transfers	<u>611,205</u>	<u>403,747</u>	<u>207,458</u>
Total Cash Receipts	<u>613,251</u>	<u>424,047</u>	<u>189,204</u>
EXPENDITURES			
Instruction	448,043	526,655	78,612
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services	2,566	14,518	11,952
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>450,609</u>	<u>\$ 541,173</u>	<u>\$ 90,564</u>
Receipts Over (Under) Expenditures	162,642		
Unencumbered Cash, Beginning	242,910		
Prior Year Cancelled Encumbrances	<u> </u>		
Unencumbered Cash, Ending	\$ <u>405,552</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 DRIVER TRAINING FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	2,738	2,730	8
Charges for services	3,302		3,302
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>6,419</u>		<u>6,419</u>
Total Cash Receipts	<u>12,459</u>	<u>2,730</u>	<u>9,729</u>
EXPENDITURES			
Instruction	4,415	14,935	10,520
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	735	2,720	1,985
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>5,150</u>	<u>\$ 17,655</u>	<u>\$ 12,505</u>
Receipts Over (Under) Expenditures	7,309		
Unencumbered Cash, Beginning	37,531		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>44,840</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 FOOD SERVICE FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	74,610	67,171	7,439
State aid/grants	3,768	2,186	1,582
Charges for services	124,321	110,404	13,917
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>400</u>	<u>22,000</u>	<u>(21,600)</u>
Total Cash Receipts	<u>203,099</u>	<u>201,761</u>	<u>1,338</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance	1,485	10,150	8,665
Student transportation services			0
Central support services			0
Other support services			0
Food service operations	201,294	218,223	16,929
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>202,779</u>	<u>\$ 228,373</u>	<u>\$ 25,594</u>
Receipts Over (Under) Expenditures	320		
Unencumbered Cash, Beginning	66,120		
Prior Year Cancelled Encumbrances	<u>374</u>		
Unencumbered Cash, Ending	<u>\$ 66,814</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income	105,373	45,000	60,373
Miscellaneous revenues			0
Operating transfers	<u>146,204</u>		<u>146,204</u>
Total Cash Receipts	<u>251,577</u>	<u>45,000</u>	<u>206,577</u>
EXPENDITURES			
Instruction	167,976	165,000	(2,976)
Student support services			0
Instruction support staff			0
General administration			0
School administration		2,900	2,900
Operations and maintenance	176,966	175,000	(1,966)
Student transportation services		375,000	375,000
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services	165,489	425,000	259,511
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>510,431</u>	<u>\$ 1,142,900</u>	<u>\$ 632,469</u>
Receipts Over (Under) Expenditures	(258,854)		
Unencumbered Cash, Beginning	3,191,393		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 2,932,539</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
GIFTS AND GRANTS FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues	7,548		7,548
Operating transfers			0
	<u>7,548</u>	<u>0</u>	<u>7,548</u>
Total Cash Receipts			
	<u>7,548</u>	<u>0</u>	<u>7,548</u>
EXPENDITURES			
Instruction	7,541	78,575	71,034
Student transportation services			0
Instruction support staff			0
General administration	2,463		(2,463)
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>10,004</u>	<u>78,575</u>	<u>68,571</u>
Total Expenditures			
	<u>10,004</u>	<u>\$ 78,575</u>	<u>\$ 68,571</u>
Receipts Over (Under) Expenditures	(2,456)		
Unencumbered Cash, Beginning	7,004		
Prior Year Cancelled Encumbrances			

Unencumbered Cash, Ending \$ 4,548

Note - The Gifts and Grants fund is exempt from the budget law by K.S.A. 72-8210

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 EXTRAORDINARY SCHOOL PROGRAM FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	21,298	22,418	1,120
Student transportation services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student support services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with			
legal max			0
Adjustment for qualifying			
budget credits			0
	<u>21,298</u>	<u>22,418</u>	<u>1,120</u>
Total Expenditures			
Receipts Over (Under) Expenditures	(21,298)		
Unencumbered Cash, Beginning	22,418		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>1,120</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
PROFESSIONAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>43,396</u>	<u> </u>	<u>43,396</u>
Total Cash Receipts	<u>43,396</u>	<u>0</u>	<u>43,396</u>
EXPENDITURES			
Instruction	16		(16)
Student support services			0
Instruction support staff	18,379	18,395	16
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>18,395</u>	<u>\$ 18,395</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	25,001		
Unencumbered Cash, Beginning	44,056		
Prior Year Cancelled Encumbrances	<u>327</u>		
Unencumbered Cash, Ending	<u>\$ 69,384</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 SUMMER SCHOOL FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>0</u>	<u>0</u>	<u>0</u>
EXPENDITURES			
Instruction		28,100	28,100
Student support services		20,695	20,695
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>0</u>	<u>48,795</u>	<u>48,795</u>
Total Expenditures	<u>0</u>	<u>\$ 48,795</u>	<u>\$ 48,795</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	48,795		
Prior Year Cancelled Encumbrances	<u>570</u>		
Unencumbered Cash, Ending	<u>\$ 49,365</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
SPECIAL EDUCATION COOPERATIVE
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants	603,441	565,000	38,441
State aid/grants			0
Charges for services	917,393	1,336,638	(419,245)
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>363,039</u>		<u>363,039</u>
Total Cash Receipts	<u>1,883,873</u>	<u>1,901,638</u>	<u>(17,765)</u>
EXPENDITURES			
Instruction	1,503,334	1,635,636	132,302
Student support services	121,066	151,939	30,873
Instruction support staff	30,757	34,641	3,884
General administration	137,570	150,777	13,207
School administration			0
Operations and maintenance	8,667	11,470	2,803
Student transportation services	3,676	5,249	1,573
Community support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>1,805,070</u>	<u>\$ 1,989,712</u>	<u>\$ 184,642</u>
Receipts Over (Under) Expenditures	78,803		
Unencumbered Cash, Beginning	570,958		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>649,761</u>		

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 KPERS SPECIAL RETIREMENT CONTRIBUTION FUND
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants	233,415	346,964	(113,549)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>233,415</u>	<u>346,964</u>	<u>(113,549)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	182,064	270,633	88,569
Student support services	4,201	6,245	2,044
Instruction support staff	4,668	6,939	2,271
General administration	11,204	16,654	5,450
School administration	13,538	20,124	6,586
Operations and maintenance	6,769	10,062	3,293
Student transportation services	934	1,388	454
Central support services			0
Other support services	4,668	6,939	2,271
Food service operations	5,369	7,980	2,611
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>233,415</u>	<u>\$ 346,964</u>	<u>\$ 113,549</u>
Total Expenditures			
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

The notes to financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 AT RISK FUND (K-12)
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>145,000</u>	<u>120,000</u>	<u>25,000</u>
Total Cash Receipts	<u>145,000</u>	<u>120,000</u>	<u>25,000</u>
EXPENDITURES			
Instruction	97,908	117,565	19,657
Student support services	45,926	64,027	18,101
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>143,834</u>	<u>\$ 181,592</u>	<u>\$ 37,758</u>
Receipts Over (Under) Expenditures	1,166		
Unencumbered Cash, Beginning	204,181		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 205,347</u>		

The notes to financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 AT RISK FUND (4 YR)
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$ 0
Delinquent tax			0
Motor vehicle tax			0
RV tax			0
Mineral production tax			0
Federal grants			0
State aid/grants			0
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers	<u>70,000</u>	<u>35,000</u>	<u>35,000</u>
Total Cash Receipts	<u>70,000</u>	<u>35,000</u>	<u>35,000</u>
EXPENDITURES			
Instruction	30,067	75,049	44,982
Student support services			0
Instruction support staff			0
General administration			0
School administration	5,979		0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>36,046</u>	<u>\$ 75,049</u>	<u>\$ 44,982</u>
Receipts Over (Under) Expenditures	33,954		
Unencumbered Cash, Beginning	55,467		
Prior Year Cancelled Encumbrances	<u> </u>		
Unencumbered Cash, Ending	<u>\$ 89,421</u>		

The notes to financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
BOND AND INTEREST FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 337,451	\$ 318,794	\$ 18,657
Delinquent tax	704	5,324	(4,620)
Motor vehicle tax	44,629	43,459	1,170
RV tax	675	571	104
Mineral production tax			0
Federal grants			0
State aid/grants	23,858	23,858	0
Charges for services			0
Interest income	14,500	24,500	(10,000)
Miscellaneous revenues		50,000	(50,000)
Operating transfers	<u>15,000</u>		<u>15,000</u>
Total Cash Receipts	<u>436,817</u>	<u>466,506</u>	<u>(29,689)</u>
EXPENDITURES			
Instruction			0
Student support services			0
Instruction support staff			0
General administration			0
School administration			0
Operations and maintenance			0
Student transportation services			0
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service	340,826	340,827	1
Operating transfers			0
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
Total Expenditures	<u>340,826</u>	<u>\$ 340,827</u>	<u>\$ 1</u>
Receipts Over (Under) Expenditures	95,991		
Unencumbered Cash, Beginning	209,045		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 305,036</u>		

The notes to financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	<u>Contingency Reserve</u>	<u>Textbook Rental</u>	<u>Title I</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants			75,344
State aid/grants			
Charges for services			
Interest income		15,984	
Miscellaneous revenues			
Operating transfers		<u>30,000</u>	
Total Cash Receipts	<u>0</u>	<u>45,984</u>	<u>75,344</u>
EXPENDITURES			
Instruction		17,234	74,063
Student support services			
Instruction support staff			
General administration			1,281
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
Total Expenditures	<u>0</u>	<u>17,234</u>	<u>75,344</u>
Receipts Over (Under) Expenditures	0	28,750	0
Unencumbered Cash, Beginning	372,592	140,982	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>372,592</u></u>	\$ <u><u>169,732</u></u>	\$ <u><u>0</u></u>

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	Title VI-B REAP	Title IIA Teach Quality	Title IID Ed Tech
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$	\$	\$
Delinquent tax			
Motor vehicle tax			
RV tax			
Mineral production tax			
Federal grants	58,106	18,718	139
State aid/grants			
Charges for services			
Interest income			
Miscellaneous revenues			
Operating transfers			
	<u>58,106</u>	<u>18,718</u>	<u>139</u>
Total Cash Receipts	<u>58,106</u>	<u>18,718</u>	<u>139</u>
EXPENDITURES			
Instruction	58,106	17,263	110
Student support services			
Instruction support staff		1,464	29
General administration			
School administration			
Operations and maintenance			
Student transportation services			
Central support services			
Other support services			
Food service operations			
Student activities			
Facility acquisition and construction services			
Debt service			
Operating transfers			
Adjustment for qualifying budget credits			
	<u>58,106</u>	<u>18,727</u>	<u>139</u>
Total Expenditures	<u>58,106</u>	<u>18,727</u>	<u>139</u>
Receipts Over (Under) Expenditures	0	(9)	0
Unencumbered Cash, Beginning	0	0	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>9</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	<u>Title IV Drug Free</u>	<u>Other Grants</u>
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Mineral production tax		
Federal grants		
State aid/grants		6,686
Charges for services		20,000
Interest income		
Miscellaneous revenues		
Operating transfers		
	<u>0</u>	<u>26,686</u>
Total Cash Receipts		
EXPENDITURES		
Instruction		25,844
Student support services		3
Instruction support staff		
General administration		
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<u>0</u>	<u>25,847</u>
Total Expenditures		
Receipts Over (Under) Expenditures	0	839
Unencumbered Cash, Beginning	0	698
Prior Year Cancelled Encumbrances	<u>0</u>	<u>166</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>	\$ <u><u>1,703</u></u>

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 ANY NONBUDGETED FUNDS
 Statement of Cash Receipts and Expenditures
 For the Year Ended June 30, 2011

	<u>Perkins Secondary</u>	<u>PEP Grant</u>
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad valorem property tax	\$	\$
Delinquent tax		
Motor vehicle tax		
RV tax		
Mineral production tax		
Federal grants	39,350	
State aid/grants		
Charges for services		
Interest income		
Miscellaneous revenues		
Operating transfers		
	<u> </u>	<u> </u>
Total Cash Receipts	<u>39,350</u>	<u>0</u>
EXPENDITURES		
Instruction	23,032	
Student support services		
Instruction support staff	12,410	
General administration	4,009	
School administration		
Operations and maintenance		
Student transportation services		
Central support services		
Other support services		
Food service operations		
Student activities		
Facility acquisition and construction services		
Debt service		
Operating transfers		
Adjustment for qualifying budget credits		
	<u> </u>	<u> </u>
Total Expenditures	<u>39,451</u>	<u>0</u>
Receipts Over (Under) Expenditures	(101)	0
Unencumbered Cash, Beginning	101	0
Prior Year Cancelled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	\$ <u>0</u>	\$ <u>0</u>

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
 AGENCY FUNDS
 Statement of Cash Receipts and Cash Disbursements
 For the Year Ended June 30, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Payroll clearing	\$	\$ 20,120	\$	\$ 20,120
High School				
Forensics	926	2,069	1,927	1,068
Textbook	0	6,763	6,763	0
Home Economics	0	1,344	1,344	0
Sales Tax	29	9,076	9,105	0
Scholar Bowl	3,254	1,520	1,734	3,040
Class of 2009	932		932	0
Class of 2010	1,170	10	1,180	0
Class of 2011	11,425	32,433	43,211	647
Class of 2012	6,932	9,372	3,749	12,555
Class of 2013	132	24,197	15,863	8,466
Class of 2014	0	215	150	65
Art Club	535	60	219	376
Metals/Woods/Auto	0	2,778	2,778	0
Cheerleaders	2,219	7,277	9,231	265
Band	218	3,373	952	2,639
Enroll Lunch	162	18	159	21
Enrollment Technology	0	2,400	2,400	0
Science Fees	0	600	600	0
Drill Team	2,650	7,016	8,775	891
Kays	2,737	17,081	16,809	3,009
National Honor Society	510	1,380	1,365	525
NVHS alumni	267	880	800	347
SADD	909	3,406	3,593	722
STUCO	1,668	13,289	11,809	3,148
Junior High School				
8th Grade	878	4,764	5,312	330
Science Olympiad	217	1,358	787	788
Teacher Group	485	5,455	4,612	1,328
Total	\$ <u>38,255</u>	\$ <u>178,254</u>	\$ <u>156,159</u>	\$ <u>60,350</u>

The notes to the financial statements are an integral part of this statement.

USD #442 SENECA, KANSAS
DISTRICT ACTIVITY FUNDS
Statement of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Gate Receipts							
High school athletics	\$ 8,010	\$ -	\$ 32,539	\$ 34,867	\$ 5,682	\$ -	\$ 5,682
Junior High athletics	4,868		7,524	7,462	4,930	-	4,930
Subtotal Gate Receipts	12,878	-	40,063	42,329	10,612	-	10,612
School Projects							
High School							
Library	443		76	69	450	-	450
Student Activity	0				-	-	-
NVHS Plays	3,544		1,931	2,963	2,512	-	2,512
Pancake grill	-		858		858	-	858
Concession Stand	50		18,882	18,907	25		25
Educational Fund	1,667		1,962	2,193	1,436		1,436
Equipment Replacement	1,982		359		2,341		2,341
Flower Fund	215		25	92	148		148
Uniform Account	2,456		2,096	926	3,626		3,626
Yearbook	10,710		19,204	23,115	6,799		6,799
Junior High School							
Yearbook	1,153		2,203	1,979	1,377	-	1,377
Vets Day	100		900	908	92		92
Box Tops	848		1,176	792	1,232		1,232
PR Fund	769		3,145	1,338	2,576		2,576
Flower Fund	11		360	258	113		113
Pi Day	146		995	703	438	-	438
Subtotal School Projects	24,094	-	54,172	54,243	24,023	-	24,023
Total District Activity Funds	\$ 36,972	\$ -	\$ 94,235	\$ 96,572	\$ 34,635	\$ -	\$ 34,635

The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

USD No.442 is a municipal corporation governed by an elected seven member board. The district as an entity has been defined to include, on a combined basis, (a) USD No.442 (b) organizations for which USD No. 442 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with USD No.442 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the District's report.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year 2011:

Governmental Funds

General Fund – To account for the resources except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to be expended for specified purposes.

Debt Service Funds – To account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects Funds – To account for financial resources to be used for the acquisition or construction of major capital facilities.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Agency Funds – To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenues and matured principle and interest payable, and reservations of fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Departure from Generally Accepted Accounting Principles (GAAP)
(Continued)

general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Reimbursed Expenses

Expenditures in the amount of \$ 57,470 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payment for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Budgetary Information

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was a budget amendment to the Special Education Cooperative Fund for the year 2011.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the city for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and trust funds and the following special revenue funds:

Textbook Rental Fund	Title IV Fund
Other Grants Fund	Title I Fund
Title IIA Fund	PEP Grant Fund
District Activity Funds	Reap Grant Fund
Contingency Reserve Fund	Title IID Fund
Perkins Secondary Program Fund	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices. The district had no investments during 2011.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2010.

At June 30, 2011, the government's carrying amount of deposits was \$ 7,265,396 and the bank balance was \$ 7,941,462. The bank balance was held by Seneca, KS banks resulting in a concentration of credit risk. Of the bank balance, \$ 500,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the district's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 3 – Defined Benefit Pension Plan

Plan Description -- USD No. 337 participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Defined Benefit Pension Plan (continued)

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for the year ended June 30, 2011 was \$188,864,352 with a remaining balance due of \$64,969,692 which was received by July 12, 2011.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted no violations of Kansas Statutes during the period under examination.

NOTE 6 – Compensated Absences

The District does not compensate employees for unused sick, leave, or vacation.

NOTE 7 – Contingency

The District receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the District's management, such disallowances, if any, will not be significant to the District's financial statements.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Outlay Fund	K.S.A. 72-6428	\$ 146,204
General Fund	Special Education Fund	K.S.A. 72-6428	511,205
General Fund	Food Service Fund	K.S.A. 72-6428	400
General Fund	At Risk Fund (4-YR)	K.S.A. 72-6428	70,000
General Fund	Professional Dev. Fund	K.S.A. 72-6428	3,396
General Fund	Vocational Education Fund	K.S.A. 72-6428	296,591
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6425	140,000
Supplemental General Fund	Driver Training Fund	K.S.A. 72-6425	6,419
Supplemental General Fund	Professional Dev. Fund	K.S.A. 72-6425	40,000
Supplemental General Fund	Special Education Fund	K.S.A. 72-6425	100,000
Supplemental General Fund	Textbook Rental Fund	K.S.A. 72-6425	30,000
Supplemental General Fund	At Risk (K-12) Fund	K.S.A. 72-6425	145,000
Special Education Fund	Special Education Coop	K.S.A. 72-6420	363,039

NOTE 9 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – Capital Projects

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

<u>Expenditures to Date</u>	<u>Project Authorization</u>
\$ 5,682,497	\$ 6,355,000

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through September 18, 2011. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 12 – Cash Basis Exception

The State of Kansas statutes exempt all funds from a cash basis violation if the violation was as result of delayed payment by the state.

NOTE 13 – Compliance with K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d)

K.S.A. 72-6417 (d) and K.S.A. 72-6434 (d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes:

Note 13 - Continued

USD #442 SENECA, KANSAS
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 800,757	\$ 759,423	\$ 41,334
Delinquent tax	1,579	11,975	(10,396)
Motor vehicle tax			0
RV tax			0
Mineral production tax	198		198
Federal grants	161,604	58,744	102,860
State aid/grants	2,450,029	2,602,525	(152,496)
Charges for services			0
Interest income			0
Miscellaneous revenues	57,470		57,470
Operating transfers			0
	<u>3,471,637</u>	<u>3,432,667</u>	<u>38,970</u>
Total Cash Receipts			
	<u>3,471,637</u>	<u>3,432,667</u>	<u>38,970</u>
EXPENDITURES			
Instruction	1,566,146	1,639,930	73,784
Student support services		9,850	9,850
Instruction support staff	56,106	50,784	(5,322)
General administration	157,089	165,393	8,304
School administration	279,293	288,324	9,031
Operations and maintenance	262,995	338,072	75,077
Student transportation services	76,397	62,830	(13,567)
Central support services			0
Other support services	45,815	46,738	923
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	1,027,796	830,747	(197,049)
Adjustment to comply with legal max		(18,501)	(18,501)
Adjustment for qualifying budget credits		57,470	57,470
	<u>3,471,637</u>	<u>\$ 3,471,637</u>	<u>\$ 0</u>
Total Expenditures			
	<u>3,471,637</u>	<u>\$ 3,471,637</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	0		
	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>		

Note 13 - Continued

USD #442 SENECA, KANSAS
SUPPLEMENTAL GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 666,896	\$ 680,491	\$ (13,595)
Delinquent tax	1,213	8,506	(7,293)
Motor vehicle tax	50,313	51,024	(711)
RV tax	757	671	86
Mineral production tax			0
Federal grants			0
State aid/grants	193,783	194,417	(634)
Charges for services			0
Interest income			0
Miscellaneous revenues			0
Operating transfers			0
	<u>912,962</u>	<u>935,109</u>	<u>(22,147)</u>
Total Cash Receipts			
EXPENDITURES			
Instruction	135,403	253,326	117,923
Student support services	19,380	19,580	200
Instruction support staff	13,061	41,565	28,504
General administration	13,879	22,975	9,096
School administration	1,334	10,300	8,966
Operations and maintenance	86,143	235,780	149,637
Student transportation services	139,381	191,474	52,093
Central support services			0
Other support services			0
Food service operations			0
Student activities			0
Facility acquisition and construction services			0
Debt service			0
Operating transfers	461,419	95,000	(366,419)
Adjustment to comply with legal max			0
Adjustment for qualifying budget credits			0
	<u>870,000</u>	<u>\$ 870,000</u>	<u>\$ 0</u>
Total Expenditures			
Receipts Over (Under) Expenditures	42,962		
Unencumbered Cash, Beginning	5,298		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 48,260</u>		

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 14 - Long-Term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2011 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
2007 Issue	3.90-5.00%	9/1/09	\$ 6,355,000	9/1/29	\$ 6,355,000	\$	\$ 70,000	\$ (70,000)	\$ 6,285,000	\$ 270,826
Capital Leases:										
None									0	-
Total Long Term Debt					\$ 6,355,000	\$ 0	\$ 70,000	\$ (70,000)	\$ 6,285,000	\$ 270,826
Current maturities of long-term debt for the next five year increments through maturity are as follows:										
		2012	2013	2014	2015	2016	2017-2010	2022-2026	2027-2029	Total
Principal										
General Obligation Bonds	\$ 135,000	\$ 150,000	\$ 170,000	\$ 185,000	\$ 205,000	\$ 1,325,000	\$ 1,960,000	\$ 2,155,000	\$ 6,285,000	0
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases										0
Revenue Bonds										0
No-Fund Warrants										0
Temporary Notes										0
Total Principal	\$ 135,000	\$ 150,000	\$ 170,000	\$ 185,000	\$ 205,000	\$ 1,325,000	\$ 1,960,000	\$ 2,155,000	\$ 6,285,000	0
Interest										
General Obligation Bonds	265,189	257,351	248,976	240,333	231,070	1,012,958	660,639	189,156	3,105,672	0
Special Assessment Bonds									0	0
Certificates of Participation									0	0
Capital Leases									0	0
Revenue Bonds									0	0
No-Fund Warrants									0	0
Temporary Notes									0	0
Total Interest	265,189	257,351	248,976	240,333	231,070	1,012,958	660,639	189,156	3,105,672	0
Total Principal and Interest	\$ 400,189	\$ 407,351	\$ 418,976	\$ 425,333	\$ 436,070	\$ 2,337,958	\$ 2,620,639	\$ 2,344,156	\$ 9,390,672	0

The notes to the financial statements are an integral part of this statement.

Long CPA, PA

James M. Long, CPA
Shareholder

901 Kentucky, Suite 104
Lawrence, KS 66044
jlongcpa@sunflower.com

785-312-9091
Fax 785-312-9249
785-766-7556

Board of Education
Nemaha Valley USD 442
Seneca, Kansas 66538

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL COMPLIANCE REPORTING AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Nemaha Valley USD 442 as of and for the year ended June 30, 2011, and have issued our report thereon dated September 12, 2011. In our report, our opinion was qualified due to the use of another comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nemaha Valley USD 442's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nemaha Valley USD 442's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Board of Education
Nemaha Valley USD 442
Seneca, Kansas 66538

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nemaha Valley USD 442 general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Long CPA, PA".

Long CPA, PA
A Professional Association
Certified Public Accountant

September 12, 2011

Long CPA, PA

James M. Long, CPA

Shareholder

901 Kentucky, Suite 104

Lawrence, KS 66044

jlongcpa@sunflower.com

785-312-9091

Fax 785-312-9249

785-766-7556

Board of Education
Nemaha Valley USD 442
Seneca, Kansas 66538

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Nemaha Valley USD 442 with the types of compliance requirements described in the U.S. Office Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Nemaha Valley USD 442 major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Nemaha Valley USD 442's management. Our responsibility is to express an opinion on Nemaha Valley USD 442's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence Nemaha Valley USD 442's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Nemaha Valley USD 442's compliance with those requirements.

In our opinion, Nemaha Valley USD 442 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Board of Education
Nemaha Valley USD 442
Seneca, KS 66538

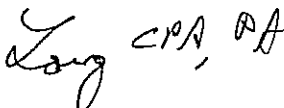
Internal Control Over Compliance

The management of Nemaha Valley USD 442 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Nemaha Valley USD 442's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Nemaha Valley USD 442's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Long CPA, PA
A Professional Association
Certified Public Accountant

September 12, 2011

UNIFIED SCHOOL DISTRICT NO. 442
Seneca, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<hr/> U.S. Department of Education <hr/>			
Passed through State Department of Education:			
Title I	84.010	*	\$ 66,400
State Grants (Part B Education Act)	84.027	*	338,399
Program Improvement	84.048	*	39,350
Career Ready Kansas	84.051	*	6,686
Early Childhood Aid	84.173	*	9,734
Tech Literacy	84.318	*	139
Title II - Teacher Quality	84.367	*	18,718
Title I - ARRA	84.389	*	8,944
Special Ed Part B Grants - ARRA	84.391	*	175,968
Special Ed Part B Preschool - ARRA	84.392	*	7,411
Stabilization - ARRA	84.394	*	58,744
Education Jobs Fund	84.410	*	102,860
<hr/> U.S. Department of Agriculture <hr/>			
Passed through State Department of Education:			
School Breakfast Program	10.553	*	6,659
National School Lunch Program	10.555	*	67,952
Team Nutrition Training Grant	10.574	*	950
<hr/> Other Federal Assistance <hr/>			
Direct Programs:			
REAP Grant	84.276	N/A	58,106
Total Federal Assistance			<u>\$ 967,020</u>

* Not available

The accompanying notes to financial statements are an integral part of this statement.

NEMAHA VALLEY USD 442
SENECA, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2011

A. Summary of Audit Results

1. The auditors' report expresses a qualified opinion on the general purpose Financial statements of Nemaha Valley USD 442.
2. No reportable conditions relating to the audit of the general purpose financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on a Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the general purpose financial Statements of Nemaha Valley USD 442 were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Nemaha Valley USD 442 expresses an unqualified opinion on all major federal programs.
5. Audit findings relative to the major federal award programs for Nemaha Valley USD 442 are reported in this schedule.
6. The programs tested as major programs included:
Department of Education
State Grant (Part B Education Act)
CFDA No. 84.027
Special Education – Part B Grants – ARRA
CFDA No. 84.391
7. Nemaha Valley USD 442 was determined to be a low-risk auditee.
8. The threshold for distinguishing types A and B programs was \$300,000.

B. Findings – Financial Statement Audit
None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit
Department of Education
State Grant (Part B Education Act)
CFDA No. 84.027
Special Education – Part B Grants – ARRA
CFDA No. 84.391

No findings of noncompliance or questioned costs were noted.

The accompanying notes to financial statements are an integral part of this statement

NEMAHA VALLEY USD 442
SENECA, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Nemaha Valley USD 442 and is presented on the statutory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Statutory Basis of Accounting – The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

Nemaha Valley USD 442 has obtained a waiver from generally accepted accounting principles which allows the district to revert to statutory basis of accounting.

Departure from Generally Accepted Accounting Principles – The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and mature principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles.

NEMAHA VALLEY USD 442
SENECA, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

NOTE 1 – Basis of Accounting (ctd.)

Departure from Generally Accepted Account Principles (ctd.) - General fixed assets that account for the land, buildings, and equipment owned by the district are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

NOTE 2 – Pass-Through Awards

Nemaha Valley USD 442 receives certain federal awards in the form of pass-through awards from the State of Kansas. Such amounts received as pass-through awards are specifically identified on the Schedule of Expenditures of Federal Awards.

NOTE 3 – Major Programs

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. The Early Childhood Education Flo-Thru and Special Education (Part B Education Act) – ARRA have been determined by the independent auditor to be a major program.

NOTE 4 – Contingencies

The Cooperative receives funds under various federal grant programs and such awards are to be expended in accordance with provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Managements believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.